

**UINTAH TRANSPORTATION
SPECIAL SERVICE DISTRICT**

ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2006

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FINANCIAL STATEMENTS
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INDEPENDENT AUDITORS' REPORT

To the Administrative Control Board
Uintah Transportation Special Service District
Vernal, Utah

We have audited the accompanying financial statements of the governmental activities, and each major fund of Uintah Transportation Special Service District, a component unit of Uintah County, as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Uintah Transportation Special Service District management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Uintah Transportation Special Service District, as of December 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2007 on our consideration of Uintah Transportation Special Service District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 5 through 9 and 28, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Caldwell, Coombs & Foley, LLP

Vernal, Utah
June 11, 2007

UINTAH SPECIAL SERVICE DISTRICT

Management's Discussion and Analysis

This section of Uintah Special Service District's (District) annual financial report presents management's discussion and analysis of the District's financial performance during the year ending December 31, 2006

Financial Highlights

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information, including this Management's Discussion and Analysis, and the statement of revenues, expenditures and changes in fund balance – budget and actual for the general fund.

Government-wide Financial Statements

One of the most important questions asked about the District's finances is, "is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The government-wide financial statements can be found on pages 10 and 11 of this report.

Fund Financial Statements

All of the District's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's operations.

We describe the relationship (or differences) between the government-wide financial statements and the related fund financial statements in a reconciliation that follows each fund financial statement. These differences occur because of the differences in accounting methods used for the two types of statements and the difference in focus: long-term verses short-term.

UINTAH SPECIAL SERVICE DISTRICT
Management's Discussion and Analysis

The District As A Whole

Net Assets

The District's net assets increased \$4.7 million, from \$18.5 million the prior year to \$23.2 million at the end of 2006. (See Table 1.)

Table 1
Net Assets

	Governmental Activities		Total Change
	2006	2005	2006-2005
Current and other assets	\$ 25,294,309	\$ 19,969,707	\$ 5,324,602
Capital assets	22,063	57,750	(35,687)
Total Assets	25,316,372	20,027,457	5,288,915
Current and other liabilities	1,272,162	377,365	894,797
Long-term liabilities outstanding	789,000	1,065,000	(276,000)
Total liabilities	2,061,162	1,442,365	618,797
Net assets:			
Invested in capital assets	22,063	57,750	(35,687)
Restricted	1,050,629	1,014,113	36,516
Unrestricted	22,182,518	17,513,229	4,669,289
Total net assets	<u>\$ 23,255,210</u>	<u>\$ 18,585,092</u>	<u>\$ 4,670,118</u>

Changes in Net Assets

The revenue from mineral lease funds increased \$4.1 million, as compared to the prior year. (See Table 2.) The increased funding is due to significant increases in mineral production (oil & gas) on federal lands located in Uintah County. The District received grant funding for highway and bridge construction totaling \$86 thousand; which was \$1.9 million less than grants received in the prior year. The decrease in grant funding is due to the completion of a major highway project in the prior year. Cities in Uintah County paid \$341 thousand toward the costs of District projects in their areas. The District increased its expenditures for road and bridge construction by over \$5.9 million.

The District's purpose is to construct roads and other transportation improvements within Uintah County, Utah. Since the roads and other improvements belong to Uintah County or one of the county's cities these capital improvements do not result in assets belonging to the District; but represent expenditure of the District's assets.

UINTAH SPECIAL SERVICE DISTRICT
Management's Discussion and Analysis

Table 2
Changes in Net Assets

	Governmental Activities		Total Change
	2006	2005	2006-2005
Revenues:			
Program revenues:			
Capital Grants	\$ 86,889	\$ 1,977,040	\$ (1,890,151)
Charges for services	341,641	-	341,641
General revenues:			
Mineral Lease Funds	17,263,330	13,150,888	4,112,442
Interest Income	1,052,610	497,913	554,697
Gain (loss) on sale of capital assets	(30,663)	3,000	(33,663)
Miscellaneous	37	203	(166)
Total revenues	<u>18,713,844</u>	<u>15,629,044</u>	<u>3,084,800</u>
Expenditures:			
Highways & public improvements			
Program Expenditures			
Transportation systems construction and maintenance	428,530	1,977,040	(1,548,510)
General expenditures			
Compensation & benefits	90,560	81,881	8,679
Insurance	13,709	15,883	(2,174)
Membership dues	8,720	8,812	(92)
Miscellaneous	4,750	1,539	3,211
Occupancy	11,552	10,716	836
Office expenses	14,705	10,293	4,412
Professional fees	20,921	12,553	8,368
Depreciation	6,959	4,533	2,426
Transportation systems construction and maintenance	13,422,670	5,940,659	7,482,011
Interest on long-term liabilities	20,650	27,525	(6,875)
Total expenditures	<u>14,043,726</u>	<u>8,091,434</u>	<u>5,952,292</u>
Increase in net assets	4,670,118	7,537,610	(2,867,492)
Beginning net assets	18,585,092	11,047,482	7,537,610
Ending net assets	<u>\$ 23,255,210</u>	<u>\$ 18,585,092</u>	<u>\$ 4,670,118</u>

UINTAH SPECIAL SERVICE DISTRICT
Management's Discussion and Analysis

The District's Funds

As the District completed the year, its governmental funds (as presented in the balance sheet on page 12) reported a *combined* fund balance of \$24 million. That reflects a *combined* net increase in fund balances of \$4.5 million. (See the statement of revenues, expenditures, and changes in fund balances on page 14.)

The general fund balance increased \$8,279 to \$34,451.

The capital project fund balance increased \$4.4 million to \$23.3 million. This balance reports funds available for completion of capital projects in future periods. The District approved one drainage correction project, one chipseal project, one road realignment/design projects, one truck route study, nine road construction projects and four multiple bridge replacement projects.

During 2006 the District's major projects, and the amounts expended were as follows:

Carryover from 2005: 3500 and 1500 West Project \$270,229, County-Wide Chip and Seal \$5,845, Willowcreek Bridges \$1,445,811, Pariette Dugway Design \$17,585, Steinaker Bridges \$664.

Projects started in 2006: 3500 East \$84,902, 1500 South Stormwater \$125,134, 500 North 1550 East Bridge \$76,910, Stanton Grading and Double Chip Seal \$1,022,786, Countywide Chip Seal \$3,032,089, Ballard Resurfacing \$701,657, 500 West and 1500 West \$2,412,125, 9750 East \$60,932, Fidler Road, Phase 1 and Phase 3 \$1,987,837, Mountain Fuel Phase 1 and Phase 2 \$1,161,319, Duchesne River Bridge Replacement \$987,149, Naples Industrial Park \$226,101, Main Street/2000 West Design \$54,423, Glen Bench Correction \$33,967, Alternate Truck Route Study \$25,436, Dry Gulch Bridges \$199.

As of December 31, 2006 the District had outstanding construction and engineering contracts totaling \$7.3 million. The 2007 budget authorizes \$28.5 million for construction projects.

The debt service fund balance increased \$30,418 reflecting additional amounts accumulated in the sinking and reserve funds. As of the end of the year the district had accumulated the maximum required amounts in the reserve funds.

General Fund Budgetary Highlights

The original 2006 general fund budget, adopted in December 2005, was not amended during the year. Actual funds expended were within appropriated amounts. (See the statement of revenues, expenditures and changes in fund balance – budget and actual General Fund on page 28.)

UINTAH SPECIAL SERVICE DISTRICT
Management's Discussion and Analysis

Capital Asset and Debt Administration

During 2006, the District sold a gravel pit property and purchased a new computer system. (See Note 6 on page 22 for a summary of changes in capital assets.)

The District paid the annual bond payments that matured during the year. The balance of the District's debt will mature and be retired over the next three years.

UINTAH TRANSPORTATION SPECIAL SERVICE DISTRICT
Statement of Net Assets
December 31, 2006

	Governmental Activities
Assets	
Cash and investments	\$ 20,375,149
Receivables	
From other governments	3,868,531
Restricted assets	
Cash and investments	661,269
Project escrow accounts	389,360
Capital Assets	
Furniture and equipment, net of depreciation	22,063
Total assets	<u>25,316,372</u>
Liabilities:	
Accounts payable	1,252,587
Accrued interest payable	17,813
Accrued compensated absences	1,762
Noncurrent liabilities:	
Due within one year	283,000
Due in more than one year	506,000
Total liabilities	<u>2,061,162</u>
Net Assets:	
Invested in capital assets	22,063
Reserved for:	
Debt service	661,269
Construction projects	389,360
Unrestricted	22,182,518
Total net assets	<u>\$ 23,255,210</u>

The notes to the financial statements are an integral part of this statement.

UINTAH TRANSPORTATION SPECIAL SERVICE DISTRICT
Statement of Activities
Year Ended December 31, 2006

Functions	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Capital Grants and Contributions	Total Governmental Activities
Governmental activities:				
Highways and public improvements				
Compensation and benefits	\$ 90,560			\$ (90,560)
Insurance	13,709			(13,709)
Membership dues	8,720			(8,720)
Miscellaneous	4,750			(4,750)
Occupancy	11,552			(11,552)
Office expenses	14,705			(14,705)
Professional fees	20,921			(20,921)
Depreciation	6,959			(6,959)
Transportation systems construction and maintenance	13,851,200	\$ 341,641	\$ 86,889	(13,422,670)
Interest on long-term liabilities	20,650			(20,650)
Total special service district	<u>\$ 14,043,726</u>	<u>\$ 341,641</u>	<u>\$ 86,889</u>	<u>(13,615,196)</u>
General revenues:				
Mineral lease funds				17,263,330
Interest income				1,052,610
Gain (loss) on sale of capital asset				(30,663)
Miscellaneous				37
Total General Revenues				<u>18,285,314</u>
Change in net assets				4,670,118
Net assets - beginning				<u>18,585,092</u>
Net assets - ending				<u>\$ 23,255,210</u>

The notes to the financial statements are an integral part of this statement.

UINTAH TRANSPORTATION SPECIAL SERVICE DISTRICT
Balance Sheets
Governmental Funds
December 31, 2006

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Projects	
Assets				
Cash and investments	\$ 45,475		\$ 20,329,674	\$ 20,375,149
Receivables				
From other governments			3,868,531	3,868,531
Restricted assets				
Cash and investments		\$ 661,269		661,269
Project escrow accounts			389,360	389,360
Total assets	<u>\$ 45,475</u>	<u>\$ 661,269</u>	<u>\$ 24,587,565</u>	<u>\$ 25,294,309</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 11,024		\$ 1,241,563	\$ 1,252,587
Total liabilities	<u>11,024</u>	<u>-</u>	<u>1,241,563</u>	<u>1,252,587</u>
Fund Balances:				
Reserved for:				
Debt service		\$ 661,269		661,269
Construction Projects			389,360	389,360
Unreserved:				
Undesignated, reported in:				
General fund	34,451			34,451
Capital projects fund			22,956,642	22,956,642
Total fund balances	<u>34,451</u>	<u>661,269</u>	<u>23,346,002</u>	<u>24,041,722</u>
Total liabilities and fund balances	<u>\$ 45,475</u>	<u>\$ 661,269</u>	<u>\$ 24,587,565</u>	<u>\$ 25,294,309</u>

The notes to the financial statements are an integral part of this statement.

UINTAH TRANSPORTATION SPECIAL SERVICE DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
December 31, 2006

Total fund balances for governmental funds **\$ 24,041,722**

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Those assets consist of:

Furniture and equipment, net of \$26,777 accumulated depreciation	\$ 22,063	22,063
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Interest on long-term debt (revenue bonds) is not accrued in governmental funds, but rather is recognized as an expenditure when due.		(17,813)
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Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period and therefore are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the statement of net assets. Balances at year-end are:

Revenue bonds payable	\$ (789,000)	
Compensated absences payable	<u>(1,762)</u>	<u>(790,762)</u>

Total net assets of governmental activities **\$ 23,255,210**

The notes to the financial statements are an integral part of this statement.

UINTAH TRANSPORTATION SPECIAL SERVICE DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2006

	Major Funds			Total Governmental Funds
	General	Debt Service	Capital Projects	
Revenues:				
Intergovernmental				
Mineral Lease Funds	\$ 175,000		\$ 17,088,330	\$ 17,263,330
Highway Grants			86,889	86,889
Local Matching Funds			341,641	341,641
Interest Income		\$ 30,393	1,024,245	1,054,638
Miscellaneous			70,328	70,328
Total revenues	175,000	30,393	18,611,433	18,816,826
Expenditures:				
Current				
Highways & public improvements				-
Compensation & benefits	90,418			90,418
Insurance	13,709			13,709
Membership dues	8,720			8,720
Miscellaneous	4,750			4,750
Occupancy	11,552			11,552
Office expenses	13,281			13,281
Professional fees	20,921			20,921
Capital outlay	3,370		13,851,200	13,854,570
Debt service				-
Principal retirement		276,000		276,000
Interest		26,625		26,625
Total expenditures	166,721	302,625	13,851,200	14,320,546
Excess (deficiency) of revenues over (under) expenditures	8,279	(272,232)	4,760,233	4,496,280
Other financing sources (uses):				
Transfers		302,650	(302,650)	-
Sale of capital assets			12	12
Total other financing sources (uses)	-	302,650	(302,638)	12
Net change in fund balances	8,279	30,418	4,457,595	4,496,292
Fund balances - beginning	26,172	630,851	18,888,407	19,545,430
Fund balances - ending	\$ 34,451	\$ 661,269	\$ 23,346,002	\$ 24,041,722

The notes to the financial statements are an integral part of this statement.

UINTAH TRANSPORTATION SPECIAL SERVICE DISTRICT
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended December 31, 2006

Net change in fund balances - total governmental funds **\$ 4,496,292**

Amounts reported for governmental activities in the statement of activities are different because:

The proceeds from the sale of capital assets on a contract to be received in future years are recorded as current income in governmental funds as payments are received. The full gain or loss on the sale is recorded in the statement of activities in the year of sale.

Collections received from prior year sale of capital assets. (70,291)

Governmental funds report interest income from long-term contracts receivable when it becomes due. In the statement of activities such income is accrued and reported as it is earned. (2,028)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of \$1000 or more are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. Governmental funds report the proceeds from the sale of capital assets as other financing sources. However, in the statement of activities, the undepreciated cost of the asset is subtracted from the proceeds to determine gain or (loss) on the sale. The differences are summarized as follows:

Depreciation expense	\$ (6,959)	
Cost of capitalized assets purchased	1,946	
Undepreciated cost of capital asset sold	<u>(30,675)</u>	(35,688)

Governmental funds report repayments of revenue bond principal and the related interest as expenditures when the payments are due. In the statement of activities interest on revenue bonds is reported as expense as it accrues, regardless of when it is due. Bond principal payments are reported as reductions to liabilities in the statement of net assets. The net effect of these differences in the treatment of revenue bonds and related interest is as follows:

Revenue bond principal repaid	\$ 276,000	
Interest expense - adjustment to accrual basis	<u>5,975</u>	281,975

Governmental funds report compensation for employee absences when such amounts become due. In the statement of activities that expense is accrued as the benefit is earned by employees.

Compensated absences - adjustment to accrual basis (142)

Change in net assets of governmental activities **\$ 4,670,118**

The notes to the financial statements are an integral part of this statement.

Uintah Transportation Special Service District
Notes to the Financial Statements
For the year ended December 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. The Reporting Entity

The Uintah Transportation Special Service District (District) was created November 21, 1988 by order of the Uintah County Board of Commissioners, pursuant to the provisions of the Utah Special Service District Act, Chapter 23, Title II, Utah Code Annotated (1953) as amended, and article XIV, Section 8 of the Constitution of Utah. The purpose of the District is to construct, repair and maintain roads within its service area, which includes all of the unincorporated areas of Uintah County. The District has also provided service within the incorporated cities in Uintah County. No potential component units have been identified for inclusion in these financial statements. The District changed its name during 2006 from Uintah Special Service District to Uintah Transportation Special Service District to differentiate the District from other special service districts created by Uintah County in 2006.

Uintah Transportation Special Service District is a component unit of Uintah County because of its financial accountability to the County. A part-time Administrative Control board, composed of five members appointed by the Uintah County Commissioners, and a full-time executive director manage the District. The Administrative Control Board selects the projects to be completed by the District from a prioritized list received annually from the Uintah County Commissioners.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the District as a whole. Individual funds are not displayed. All of the District's operations are reported as governmental activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. The District's activities are confined to a single function: construction of highways and public improvements. Program revenues include: (1) charges for services which report rents and other charges to users of the District's services or assets; (2) capital grants and contributions which fund the acquisition, construction or rehabilitation of capital assets, including roads and other transportation infrastructure belonging to other governments within the District's service area. Mineral lease funds and other revenue sources not properly included with program revenues are reported as general revenues.

Uintah Transportation Special Service District
Notes to the Financial Statements
For the year ended December 31, 2006

Fund Financial Statements

Fund financial statements are provided for governmental funds. All three of the District's funds are presented as major funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements specifically made applicable to governmental funds by GASB.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification or elimination of internal activity (between or within funds). The District's operations do not include any internal activities with the exception of transfers between funds, which are eliminated by direct offset. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Mineral lease funds revenues are recognized in the year for which they are allocated to the District while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for revenue bond principal and interest which are reported as expenditures in the year due.

Major revenues susceptible to accrual include mineral lease funds and government grants. In general, other revenues are recognized when cash is received.

D. Fund Types and Major Funds

The District reports the following major governmental funds:

- The **general fund** is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **capital projects fund** accounts for the construction of major capital projects.

Uintah Transportation Special Service District
Notes to the Financial Statements
For the year ended December 31, 2006

- The **debt service fund** accounts for the accumulation of financial resources for the payment of principal and interest on the District's long-term debt.

E. Cash and Investments (See note 3, also.)

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. All short-term cash surpluses are maintained in a cash and investment pool and allocated to each fund based on period-end deposit and investment balances, except for the sinking and reserve funds, which are kept in a required separate account within the debt service fund. The District also has certain funds on deposit in escrow accounts with the Utah Department of Transportation (UDOT). These funds represent the unexpended portion of the District's estimated share of expenses for federal highway funds projects administered by UDOT.

F. Flow Assumptions for Restricted Resources

Whenever the District has the option of using either restricted or unrestricted resources to make certain payments (such as capital construction costs being financed partially from restricted grants and partially from the District's own funds) the District's policy is to use restricted resources first.

G. Capital Assets and Depreciation

The District's property, furniture and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The District owns no infrastructure assets. The District capitalizes assets with a cost of \$1,000 or more. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

The useful lives estimated for depreciable assets are: furniture and office equipment 3-10 years, and automotive equipment 5 years.

H. Long-term Debt

Outstanding debt is reported in government-wide financial statements as liabilities. However, the governmental fund financial statements recognize the proceeds of debt as other

Uintah Transportation Special Service District
Notes to the Financial Statements
For the year ended December 31, 2006

financing sources of the current period, and the payment of matured bond principal and interest as expenditures in the year they are due.

I. Fund Equity

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes.

J. Compensated Absences

Employees are granted compensation for days absent from work due to vacations, sickness, or other personal matters, in varying amounts depending on tenure with the District. A maximum of 160 hours of absent time that has not been used by the end of the year can be carried forward to the next year. Compensated absences are reported as accrued in the government-wide financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees. (See note 7, also.)

2. BUDGETARY INFORMATION

The Uintah Transportation Special Service District follows the budgetary practices and procedures required by Utah State law. These requirements are summarized as follows:

- A formal budget is adopted for all governmental funds. The budget as a complete plan that identifies all estimated revenues and all appropriations for expenditure for the year. The budget must balance, that is, estimated revenues and other financing sources must equal appropriated expenditures. Budgets are adopted on the basis of accounting used for reporting purposes in the governmental funds financial statements. The legal level of budgetary control is the fund level.
- The executive director submits to the Administrative Control Board, a proposed operating budget for the fiscal year beginning January 1.
- The Board discusses and approves the budget and sets a date for a public hearing on the proposed budget.
- A public hearing is held to obtain taxpayer comments and the budget is adopted.
- The Board can transfer budgeted amounts between line items by resolution, but any action that increases or decreases the total budget must be approved by resolution only after public hearing.

Uintah Transportation Special Service District
Notes to the Financial Statements
For the year ended December 31, 2006

3. DEPOSITS AND INVESTMENTS (See note 1 E, also.)

Deposits and investments for local governments are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the District's exposure to various risks related to its cash management activities.

A. Custodial Credit Risk

Deposits—Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the District to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of December 31, 2006 the carrying amount of the District's deposits was \$28,201 and the bank balance was \$561,737. Of the bank balance, \$461,737 was uninsured and uncollateralized.

B. Credit Risk

Investments—Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The District is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

As of December 31, 2006 the District had investments of \$21,008,217 with the PTIF. The entire balance had a maturity of less than one year. The PTIF pool has not been rated.

C. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by

Uintah Transportation Special Service District
Notes to the Financial Statements
For the year ended December 31, 2006

investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

4. RECEIVABLES

Accounts receivable, all from other governments, at December 31, 2006 totaled \$3,868,531 as follows:

The mineral lease funds allotment for the 4th quarter 2006 was accrued as income and the account receivable is reported in both the government-wide and governmental funds financial statements. The total due, \$3,661,890, was received in February 2007.

Vernal City's share of the costs of a project completed by the District on a City street was accrued as income and the account receivable is reported in both the government-wide and governmental funds financial statements. The total due, \$206,641, was received in January 2007.

5. RESTRICTED ASSETS

Restricted assets include cash & investments in the debt service sinking and reserve funds that are restricted for debt service by the respective bond resolutions. (See Note 7.)

Restricted assets also include project escrow accounts. The District has entered into agreements with the Utah Department of Transportation (UDOT) wherein UDOT provides engineering and administrative services incident to construction projects funded by federal highway grants. UDOT required the District to deposit the District's estimated share of project expenses in escrow accounts maintained by UDOT. UDOT pays project expenses, including reimbursements to UDOT for the costs of its services, from applicable federal highway funds and, for the District's share, from the escrow accounts. Any District funds remaining in an escrow account after all project expenses have been paid is to be refunded to the District.

Uintah Transportation Special Service District
Notes to the Financial Statements
For the year ended December 31, 2006

6. CAPITAL ASSETS

Changes in Capital Assets

The following table provides a summary of changes in capital assets:

	<u>Capital Assets, Not Depreciated</u>	<u>Capital Assets, Depreciated</u>	
	<u>Land</u>	<u>Furniture and Equipment</u>	<u>Totals</u>
Governmental Activities			
Balance, December 31, 2005	\$ 30,675	\$ 46,893	\$ 77,568
Increases	-	1,947	1,947
Decreases	(30,675)	-	(30,675)
Balance, December 31, 2006	-	48,840	48,840
Accumulated Depreciation			
Balance, December 31, 2005	-	19,818	19,818
Increases	-	6,959	6,959
Decreases	-	-	-
Balance, December 31, 2006	-	26,777	26,777
Governmental Activities			
Capital Assets, Net	\$ -	\$ 22,063	\$ 22,063

The land sold was the site of a gravel pit. The purchase contract for the land gave the original seller or its assigns the right to repurchase the property from the District for \$12 when the District no longer was using the property for a gravel pit. During 2006 the right to repurchase was exercised and the District sold the property.

7. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended December 31, 2006:

<u>Bond Issue</u>	<u>Balance 12/31/2005</u>	<u>Debt Issued</u>	<u>Debt Retired</u>	<u>Balance 12/31/2006</u>	<u>Due Within One Year</u>
1998A Mineral Lease Revenue Bonds (Naples)	\$ 227,000	\$ -	\$ 74,000	\$ 153,000	\$ 76,000
Road Bond Series 1999 (Ballard)	150,000	-	36,000	114,000	37,000
Road Bond Series 1999A (Oilfield Roads)	688,000	-	166,000	522,000	170,000
Total Bonded Debt	1,065,000	-	276,000	789,000	283,000

Uintah Transportation Special Service District
Notes to the Financial Statements
For the year ended December 31, 2006

	Balance 12/31/2005	Debt Issued	Debt Retired	Balance 12/31/2006	Due Within One Year
Compensated Absences					
Accrued Compensated Absences	1,620	142		1,762	1,762
Total Long-Term Debt	\$ 1,105,337	\$ 142	\$ 276,000	\$ 829,844	\$ 284,762

The Road Bond Series 1998A was issued October 26, 1998, for \$695,530, bearing interest at 2.5% accruing from July 1, 1999, payable in ten annual payments beginning July 1, 1999. Bond proceeds were used for road construction (Naples City).

The Road Bond Series 1999 was issued March 10, 1999, for \$350,000, bearing interest at 2.5%, payable in ten annual payments beginning January 1, 2000. Bond proceeds were used for road construction (Ballard City).

The Road Bond Series 1999A was issued June 16, 1999, for \$1,600,000, bearing interest at 2.5%, payable in ten annual payments beginning January 1, 2000. Bond proceeds were used for road construction (oilfield roads).

All of the revenue bonds are payable from the District's allocation of federal mineral lease funds.

The annual debt service requirements to maturity for bonded debt as of December 31, 2006 are as follows:

Year Ended December 31,	Bond Principal	Interest	Total Debt Service
2007	283,000	19,725	302,725
2008	289,000	12,650	301,650
2009	217,000	5,425	222,425
Totals	<u>\$ 789,000</u>	<u>\$ 37,800</u>	<u>\$ 826,800</u>

The debt service fund services revenue bond retirements. The general fund services payments for accrued compensated absences.

Sinking Fund Requirements

Each bond resolution requires the accumulation of funds in sinking funds and in reserve funds.

An amount equal to the bond principal and interest payment next due is to be paid in four

Uintah Transportation Special Service District
Notes to the Financial Statements
For the year ended December 31, 2006

approximately equal installments, due on the tenth day of each May, August, November and February into Sinking Funds. The money in the Sinking Funds may be used only to pay currently maturing principal and interest on the Bonds.

Quarterly payments are to be paid into Reserve Funds each February, May, August and November, until a specified amount is accumulated in the funds. Money in the Reserve Fund may be used only to pay principal and interest on the bond, payable from the sinking fund, falling due at any time, for the payment of which there is insufficient money in the sinking funds. Amounts accumulated in excess of the specified amounts are to be paid to the sinking funds annually.

Payments into reserve funds are required as follows:

Bond Series	Amount to be Accumulated	Payments to Begin	Quarterly Payment	Balance in Fund at December 31, 2006
1998A	79,918	Aug. 1999	4,440	79,918
1999	40,500	Aug. 1999	1,690	40,500
1999A	183,200	Aug. 1999	7,630	183,200
Total	\$ 303,618			\$ 303,618

As of December 31, 2006, \$357,651 and \$303,618 had been accumulated in the sinking funds and reserve funds respectively. Deposits in both sinking and reserve funds were equal to or greater than scheduled amounts as of December 31, 2006.

8. PENSION PLANS

Plan Description. The District contributes to the Local Governmental Noncontributory Retirement System which is a cost sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1(800) 365-8772.

Utah Transportation Special Service District
Notes to the Financial Statements
For the year ended December 31, 2006

Funding Policy. In the Local Governmental Noncontributory Retirement System, the District was required to contribute 11.09% of its annual covered salaries for the six months ended June 30, 2006 and 11.59% for the six months ended December 31, 2006. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The District contributions to the Local Governmental Noncontributory Retirement System for the years ended December 31, 2006, December 31, 2005, and December 31, 2004 respectively were: \$4,998, \$4,532, and \$3,989. The contributions were equal to the required contributions for each year.

The District also participates in a 401(k) deferred compensation plan administered by the Utah Retirement Systems. Employer contributions for the years ended December 31, 2006, 2005, and 2004 respectively were \$2,642, \$2,452, and \$2,305.

9. INSURANCE AND RISK MANAGEMENT

The District carries insurance against damage to its property by fire or other perils.

Workman's' Compensation insurance is provided to District employees to cover job related injuries or sickness.

The District carries a Commercial Crime - Public Employee Dishonesty Policy to insure against theft or dishonesty by its employees.

A fidelity bond is carried on the District's treasurer and records clerk.

The District's automobiles are insured against liability and property damage.

The District's directors and employees are insured against liability due to public official's errors and omissions.

10. TRANSFERS WITHIN THE REPORTING ENTITY

The capital projects fund transferred \$302,650 to the debt service fund to meet debt service requirements for 2006. Mineral lease fund revenues recorded in the capital projects fund are pledged to pay the revenue bonds as they become due.

Uintah Transportation Special Service District
Notes to the Financial Statements
For the year ended December 31, 2006

11. CONTINGENCIES

A former employee of Uintah Transportation Special Service District has filed a claim asserting the District wrongfully terminated the former employee's employment with the District, and is claiming damages as a result of the termination. District management intends to vigorously defend any suit, which may be filed in the matter. No estimate has been made of the likelihood of a favorable or unfavorable outcome, nor of the amount or range, if any, of potential loss.

A construction contractor has filed a complaint claiming damages from breach of contract and related matters. District management intends to vigorously defend the suit. No estimate has been made of the likelihood of a favorable or unfavorable outcome, nor of the amount or range, if any, of potential loss.

A second construction contractor has indicated it plans to sue the District for the increased costs of performing its contract, arguing that the grade of material required by the District exceeded the grade of material specified in the contract. No claim has yet been filed. No estimate has been made of the likelihood of a favorable or unfavorable outcome, nor of the amount or range, if any, of potential loss.

12. COMMITMENTS

Construction Contracts

Active construction and engineering contracts in progress is composed of the following:

	<u>Spent to December 31, 2006</u>	<u>Remaining Commitment</u>
Government Activities:		
Alternate Truck Route Study	\$ 4,661	\$ 193,184
Glen Bench Correction	33,765	173,145
Main Street/2000 West	79,024	447,800
3500 E (West Side)	108,798	1,243,387
1500 S Stormwater Project	103,202	8,028
500 N 1500 E Bridge Replacement	102,547	25,637
Fidlar Road	2,107,089	2,129,542
Mountain Fuel Phase 2	11,851	2,508,609
Naples Industrial Park	256,793	541,505
Willow Creek Bridges	1,502,504	10,514
		<u>\$ 7,281,351</u>

Uintah Transportation Special Service District
Notes to the Financial Statements
For the year ended December 31, 2006

Lease Agreements

The District leases its office facility under an operating lease. The agreement is for a period of one year beginning July 1, 2006 and requires monthly rental payments of \$850. As of December 31, 2006 the remaining rents to be paid under the agreement totaled \$5,100. Rental payments for the year ended December 31, 2006 totaled \$9,300.

13. RELATED PARTY TRANSACTIONS

Uintah Transportation Special Service District provides road construction services in Uintah County on roads owned by Uintah County or cities within the County. Projects are selected by the District's Administrative Control Board from a prioritized list of potential projects submitted to the Board by Uintah County. Transactions between the District and Uintah County for the year ended December 31, 2006 are summarized as follows:

The District Received Income:

Lease-purchase of construction equipment (final payment)	<u>\$ 72,400</u>
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The District Paid or Accrued Expense for:

T-1 communications line	<u>\$ 60</u>
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UINTAH TRANSPORTATION SPECIAL SERVICE DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual
General Fund
Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Positive
				(Negative)
Revenues:				
Intergovernmental				
Mineral Lease Funds	\$ 195,170	\$ 195,170	\$ 175,000	\$ (20,170)
Total revenues	195,170	195,170	175,000	(20,170)
Expenditures:				
Current				
Highways & public improvements				
Compensation & benefits	115,750	115,750	90,418	25,332
Insurance	26,000	26,000	13,709	12,291
Membership dues	10,220	10,220	8,720	1,500
Miscellaneous	3,100	3,100	4,750	(1,650)
Occupancy	11,400	11,400	11,552	(152)
Office expenses	7,700	7,700	13,281	(5,581)
Professional fees	20,000	20,000	20,921	(921)
Capital outlay	1,000	1,000	3,370	(2,370)
Total expenditures	195,170	195,170	166,721	28,449
Excess (deficiency) of revenues over				
(under) expenditures	-	-	8,279	8,279
Fund balances - beginning	26,172	26,172	26,172	-
Fund balances - ending	\$ 26,172	\$ 26,172	\$ 34,451	\$ -

The notes to the financial statements are an integral part of this statement.

CALDWELL, COOMBS & FOLEY, LLP

Certified Public Accountants

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Administrative Control Board
Uintah Transportation Special Service District
Vernal, Utah

We have audited the accompanying financial statements of the governmental activities, and each major fund of Uintah Transportation Special Service District (District), a component unit of Uintah County, as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 11, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Uintah Transportation Special Service District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Uintah Transportation Special Service District's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that

there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. See findings 06-1 and 06-2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that finding 06-1 described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Uintah Transportation Special Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Uintah Transportation Special Service District in the accompanying schedule of findings and responses.

Uintah Transportation Special Service District's response to the findings identified in our audit is included in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of the Administrative Control Board, management, and the Utah State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Caldwell, Coombs & Foley, LLP

Vernal, Utah
June 11, 2007

CALDWELL, COOMBS & FOLEY, LLP

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE BASED ON AN AUDIT OF FINANCIAL STATEMENTS CONDUCTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Administrative Control Board
Uintah Transportation Special Service District
Vernal, Utah

We have audited the financial statements of the governmental activities, and each major fund of Uintah Transportation Special Service District, a component unit of Uintah County, as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 11, 2007. As part of our audit, we have audited the District's compliance with the requirements governing types of services allowed or unallowed; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended December 31, 2006. The District received the following major State assistance programs from the State of Utah:

Mineral Lease Distribution (Department of Transportation)

The District also received the following nonmajor grants, which are not required to be audited for specific compliance requirements: (However, these programs were subject to testwork as part of the audit of the District's financial statements.)

Federal Highway Funds Projects Administered by the State (Department of Transportation)

Our audit also included test work on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide including:

- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Special Districts

The management of Uintah Transportation Special Service District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying schedule of findings and responses.

In our opinion, Uintah Transportation Special Service District complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended December 31, 2006.

Caldwell, Coombs & Foley, LLP

Vernal, Utah
June 11, 2007

Uintah Special Service District
Findings and Responses
For the Year Ended December 31, 2006

INTERNAL CONTROL OVER FINANCIAL REPORTING

06-1. Modified Accrual Accounting

Finding – We noted several significant amounts that were not properly accrued in the District's accounting records, and corrections were required to prepare the financial statements. Mineral lease fund allocations were recorded as received, using the cash method of accounting, so the October through December 2006 allotment was not recorded as 2006 income as it should have been, but was recorded as 2007 income. Accounts payable for retention on construction contracts were not recorded. Other corrections were required also: transactions in UDOT escrow accounts had not been recorded, and several transfers from capital projects fund to the debt service fund were not recorded.

Criteria – The District's financial statements and budgets use the modified accrual basis of accounting as required by generally accepted accounting principles and State law. Revenues must be reported in the year they are earned, and expenditures must be recorded in the year they are incurred.

Effect – The financial reports used by management to operate the District were not accurate. Significant adjustments were required in order to prepare financial statements that are fairly stated in accordance with generally accepted accounting principals.

Recommendation – The executive director should insure that all material transactions are recorded in the proper accounting period.

District Response – The District will make changes in the accounting process to ensure that income transactions and transfers are recorded in the appropriate year.

In the future, retention will be recorded in the District's accounting program under accounts payable.

06-2. Preparation of Financial Statements

Finding – District personnel lack the skills and knowledge to apply generally accepted accounting principles in preparing its financial statements. The District relies on its independent auditors to prepare the financial statements, subject to management oversight and review.

Uintah Special Service District
Findings and Responses
For the Year Ended December 31, 2006

Recommendation – The Administrative Control Board may wish to evaluate whether it is practical for existing District personnel to obtain additional accounting training, whether it is economically reasonable and practical to employ additional personnel or outside contractors who possess the required advanced accounting skills, or whether it is most practical and efficient to continue the current arrangement with the District's independent auditors while maintaining management oversight over the services so as not to impair the auditor's independence.

District Response – The District will evaluate the current system.

COMPLIANCE (State Legal Compliance)

06-3. Budget – Expenditures in Excess of Appropriation

Finding – We noted that expenditures in the Debt Service Fund exceeded the appropriated budget by \$1,300 (less than 1%).

Criteria – Section 17B-1-619 of the *Utah Code* states that the officers and employees of the entity shall not incur expenditures in excess of the total appropriation for any fund.

Effect – The excess expenditures were not legal.

Recommendation – Management of the District should carefully review financial statements that compare actual expenditures to budget appropriations and should either limit expenditures to budgeted amounts, when feasible, or increase the budget as allowed by law to provide for the necessary expenditures.

District Response – This was an oversight during the budgeting process. The District will make every effort to avoid oversights such as this in future budgeting.

Uintah Special Service District
Status of Prior Year Findings
For the Year Ended December 31, 2006

The following matters were reported as audit findings in the prior year. The current status of each finding and recommendation are noted.

COMPLIANCE

05-1. Budget Resolution

Finding – We noted that budgets were adopted by a motion and vote of the administrative control board; however no resolution was adopted.

Recommendation – The Administrative Control Board should add the formality of a budget resolution to its budget adoption procedures.

Current Status – The recommendation was implemented.

INTERNAL CONTROL

05-2. Verification of Information on Payment Requests

Finding – We noted one instance where a contractor's payment request incorrectly reported amounts previously paid by the District in determining the balance due on the contract, which resulted in an overpayment to the contractor.

Recommendation – The executive office manager should verify the amounts shown for previous payments on contractor payment requests by reference to the District's accounting records. This is particularly important on final payment requests.

Current Status – The recommendation was implemented.